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STATE OF MONTANA
STATE EMPLOYEE GROUP BENEFIT PLAN

ANNUAL REPORT

September 1, 1989 through August 31, 1990

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State employee group benefit plan annual



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STATE OF MONTANA
STATE EMPLOYEE GROUP BENEFIT PLAN

ANNUAL REPORT

September 1, 1989 through August 31, 1990

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January, 1991

MARTIN E. SEGAL COMPANY

SUITE 200
6300 SOUTH SYRACUSE WAY
ENGLEWOOD, COLORADO 80111
(303) 741-3660
FAX (303) 741-6950

January 9, 1991

Ms. Joyce Brown, Bureau Chief
Employee Benefits Section
State Personnel Division
Room 130, Mitchell Building
125 Roberts Street
Helena, Montana 59620

Re: State Employee Group Benefit Plan

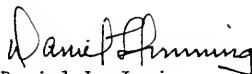
Dear Ms. Brown:

In accordance with 2-18-811,MCA, we have prepared an annual report of the State Employee Group Benefit Plan coverages, claims experience, premium rates and certain average cost and utilization information, separated into the following sections:

- | | |
|--------------|--|
| Section I. | Life and Accidental Death
and Dismemberment |
| Section II. | Medical Benefits |
| Section III. | Dental Benefits |
| Section IV. | Funding of Plans |
| Section V. | Three Year Projections |

We will discuss the enclosed information with you at the next meeting. In the meantime, please contact our office at your convenience should you have any questions.

Sincerely,


Daniel L. Imming

DLI:lkh

cc: Advisory Committee
Dave Ashley

SECTION I. LIFE AND ACCIDENTAL DEATH AND DISMEMBERMENT COVERAGES

The State of Montana maintains a basic life insurance benefit for all active employees and offers life and accidental death and dismemberment benefits on a voluntary basis to employees and eligible dependents. These coverages were underwritten by Northwestern National Life from 1981 through August 31, 1990. Effective that date the State terminated the contract with Northwestern National Life and selected Standard Insurance Company to underwrite these coverages.

There are presently five Plans in the States program. The full cost of Plan A is funded by the State as part of the core package of benefits. Plans B, C, D and E are on a payroll reduction basis or are funded by the difference between the State's contribution and the cost of the core plan of benefits.

EMPLOYEE PLANS

Plan A - Core Life (Non-elective, Part of Core Plan)	\$10,000
Plan C - Basic Elective Life	One times annualized salary based on step and grade rounded to next higher \$5,000.*
Plan D - Supplemental Life	Up to \$100,000 in \$5,000 increments.*

DEPENDENT PLANS

Plan B - Basic Dependent Life	\$2,000 on spouse; \$1,000 on each child.
Plan B - Supplemental Spouse Life	Up to 50% of total employee coverage under Plans C and D in \$1,000 units rounded to next higher \$5,000.

ACCIDENTAL DEATH AND DISMEMBERMENT BENEFITS (AD&D):

Plan E - Elective Employee AD&D	Up to \$200,000 in \$25,000 units not to exceed 10 times annual salary.
Elective Dependent AD&D	Spousal coverage of 50% of employee coverage if no children covered. Spousal coverage of 40% of employee coverage if children covered. Child(ren) coverage of 10% per child of employee coverage if spouse not covered. Child(ren) coverage of 10% per child of employee coverage if spouse covered.

*The amount of optional insurance under Plans C and D cannot exceed \$200,000,

All amounts of life and accidental death and dismemberment coverages are fully pooled under the contractual agreement entered into with Standard. These coverages were previously on an experience rated basis with Northwestern National Life. As of the end of the 1988-89 policy year, the carrier had a deficit balance of \$749,548. The deficit was reduced during the 1989-90 policy year ended August 31, 1990, at which time the contract was terminated with Northwestern National Life; however, the carrier still incurred a substantial deficit over the total time period from 1981 through 1990. At the time this report was prepared, final accounting was not yet received from Northwestern National Life. Even though there was a deficit on contract termination, the State will not owe any monies to Northwestern National Life.

Premium Rate History

	<u>Northwestern National Life</u>				<u>Standard Insurance Company</u>
	<u>08/01/81</u>	<u>08/01/83</u>	<u>09/01/84</u>	<u>09/01/85</u>	<u>09/01/90</u>
	<u>to</u>	<u>to</u>	<u>to</u>	<u>to</u>	<u>to</u>
	<u>07/31/83</u>	<u>08/31/84</u>	<u>08/31/85</u>	<u>08/31/90</u>	<u>08/31/91</u>
<u>Plan A</u>					
Life per \$1,000	\$.22	\$.27	\$.31	\$.36	\$.27
<u>Plan B</u>					
Dependent Life per unit	.59	.59	.59	.59	.52
<u>Plans C and D*</u>					
Optional Life, per \$1,000					
Under Age 30	.06	.06	.06	.06	.05
30-34	.09	.09	.09	.09	.07
35-39	.09	.09	.09	.09	.10
40-44	.20	.20	.20	.20	.14
45-49	.20	.20	.20	.20	.24
50-54	.55	.55	.55	.55	.38
55-59	.55	.55	.55	.55	.67
60-64	1.18	1.18	1.18	1.18	.90
Over 65	1.18	1.18	1.18	1.18	1.28
<u>Plan E</u>					
Accidental Death & Dismemberment per \$1,000					
Employee	.036	.036	.036	.045	.040
Dependent	.014	.014	.014	.017	.015

* Effective September 1, 1990, the age categories for Plans C and D were modified to 5 year age brackets.

SECTION II. MEDICAL BENEFITS

Active employees, retirees and their eligible dependents are covered under a self-funded plan with claims adjudication provided by Blue Cross/Blue Shield of Montana. Benefits in effect for the 1989-90 plan year included a \$1,000,000 lifetime maximum per individual, subject to a benefit year deductible of \$150 per individual and a \$450 maximum deductible per family. Following satisfaction of the deductible, charges for medical services are reimbursed at 80% of the next \$2,500 of allowable expenses per individual, \$5,000 per family, and 100% thereafter for the remainder of the benefit year.

Effective September 1, 1990, the State introduced the following benefit modifications in order to help control the rising cost of health care:

- 1) The annual deductible increased from \$150 to \$175 per person per year, with a maximum of \$525 per family.
- 2) Supplemental Accident coverage was eliminated
- 3) The lifetime maximum benefit for organ transplant is capped at \$100,000.
- 4) Employee co-payment increased from 20% to 25% of the first \$2,500 of allowable charges for each family member (after deductible) up to a limit of \$5,000 per family.
- 5) The deductible carryover was eliminated.
- 6) There will be no waiver of any part of the one year waiting period for coverage of a pre-existing condition for any individuals coming onto the Plan who have or had COBRA rights under their former plan.
- 7) Employee cost for dependent medical coverage increased ten (\$10) dollars.

The following tables outline the medical premium rate history for both Active Employees and Retirees:

Active Employee Monthly Premium Rates-Medical Only

	<u>11/01/86 - 08/31/89</u>	<u>09/01/89 - 08/31/90</u>	<u>09/01/90 - 08/31/91</u>
	<u>Total Premium</u>	<u>Total Premium</u>	<u>Total Premium</u>
Employee only	\$ 84.00	\$ 99.00	\$120.00
Employee and Spouse	129.00	144.00	175.00
Employee, Spouse and Child(ren)	141.00	156.00	187.00
Employee and Child(ren)	105.00	120.00	151.00
Joint Care - with Child(ren)*	90.00	105.00	126.00
Joint Care - without Child(ren)*	90.00	105.00	126.00

Retiree Monthly Premium Rates - Medical Only

Retirees who terminate employment, retire under applicable state retirement provisions and make the necessary administrative arrangements may continue coverage by self-paying the total monthly premium, as follows:

	<u>11/01/86 - 08/31/89</u>		<u>Effective 09/01/89</u>		<u>Effective 09/01/90</u>	
	<u>Non-Medicare</u>	<u>Medicare</u>	<u>Non-Medicare</u>	<u>Medicare</u>	<u>Non-Medicare</u>	<u>Medicare</u>
	<u>Eligible</u>	<u>Eligible</u>	<u>Eligible</u>	<u>Eligible</u>	<u>Eligible</u>	<u>Eligible</u>
Retiree Only	\$ 84.00	\$ 51.00	\$ 99.00	\$ 66.00	\$120.00	\$ 82.00
Retiree and Spouse	129.00	96.00	144.00	111.00	175.00	147.00
Retiree, Spouse and Child(ren)	141.00	108.00	156.00	123.00	187.00	159.00
Retiree and Child(ren)	105.00	72.00	120.00	87.00	151.00	118.00
Retiree and Medicare	121.00	88.00	136.00	103.00	167.00	134.00
Eligible Spouse						
Retiree and Medicare						
Eligible Spouse and Child(ren)	N/A	N/A	N/A	N/A	179.00	146.00

* Now categories effective September 1, 1990, for coverage when both spouses are employed by the State.

EXPERIENCE SUMMARY - MEDICAL

Based on Claims Incurred 09/01/88 - 08/31/89
and Paid 09/01/88 - 11/30/89 - 26,399 Insureds

Average Monthly Claims Cost

	<u>Employee</u>	<u>Spouse</u>		<u>Child(ren)</u>	<u>Overall Average</u>
		<u>Medicare Prime</u>	<u>State Prime</u>		
Active Groups	\$ 66.44	\$95.00	\$ 80.88	\$32.12	\$ 55.81
COBRA Group	121.48	0	31.36	43.52	75.76
Retiree Group					
Medicare Prime	63.84	53.98	178.05	75.30	71.48
State Prime	199.43	41.87	158.28	33.10	159.33
Total Health	74.37	52.47	88.23	32.49	61.76

Based on Claims Incurred 09/01/89 - 08/31/90
and Paid 09/01/89 - 11/30/90 - 27,246 Insureds

Average Monthly Claims Cost

	<u>Employee</u>	<u>Spouse</u>		<u>Child(ren)</u>	<u>Overall Average</u>
		<u>Medicare Prime</u>	<u>State Prime</u>		
Active Groups	\$ 73.56	\$131.33	\$ 77.81	\$40.03	\$61.17
COBRA Group	95.72	0	80.93	161.24	118.76
Retiree Group					
Medicare Prime	66.58	60.02	267.00	111.57	82.51
State Prime	165.41	52.80	124.96	32.91	130.96
Total Health	78.53	59.41	87.08	42.49	66.96

Inpatient Statistics

Based on Claims Incurred 09/01/88 - 08/31/89
and Paid 09/01/88 - 11/30/89 - 26,399 Insureds

	<u>Admissions Per 1,000</u>	<u>Average Length of Stay</u>	<u>Patient Days Per 1,000</u>	<u>Average Charge Per Day</u>	<u>Average Charge Per Stay</u>
State Group	107.83	4.44	479.12	1,211.00	5,381.00(1)
BC/BS(2)	103.19	4.56	470.39	1,098.00	5,007.00(1)

Based on Claims Incurred 09/01/89 - 08/31/90
and Paid 09/01/89 - 11/30/90 - 27,246 Insured

Average Monthly Claims Cost

	<u>Admissions Per 1,000</u>	<u>Average Length of Stay</u>	<u>Patient Days Per 1,000</u>	<u>Average Charge Per Day</u>	<u>Average Charge Per Stay</u>
State Group	106.50	4.60	490.43	1,294.00	5,960.00(1)
BC/BS(2)	93.43	4.71	439.92	1,226.00	5,771.00(1)

- (1) Not exact multiple of length of stay and charge due to rounding.
- (2) Blue Cross & Blue Shield of Montana statewide excluding the State Group experience.

SECTION III. DENTAL BENEFITS

Coverage for dental expenses are also covered under a self-funded dental plan for employees, retirees and their eligible dependents. Reimbursement for allowable dental expenses is made up to 100%, 80% or 50% of usual, customary and reasonable (UCR) charges. A brief description of the three types of services is as follows:

<u>Type Service and Reimbursement Level</u>	<u>Description of Service</u>
A. 100%	Diagnostic - dental X-rays Preventative - oral examination, prophylaxis, fluoride treatment Emergency treatment (unscheduled) to relieve pain
B. 80%	Fillings Oral surgery Extractions Periodontics Endodontics Space maintainers
C. 50%	Dentures Inlays Crowns Fillings (gold) Bridges

Monthly Premium Rates 09/01/86 - 08/31/91

Active employees and early retirees premium rates are as follows:

	<u>Total Premium</u>	<u>Early Retiree Portion</u>
Employee/Early Retiree Only	\$13.60	\$13.60
Employee/Early Retiree and Spouse	19.60	19.60
Employee/Early Retiree Spouse and Child(ren)	31.60	31.60
Employee/Early Retiree and Child(ren)	26.60	26.60
Joint Core - With Child(ren)/ Without Child(ren) *	20.10	NA

* New category effective September 1, 1990, for coverage when both spouses are employed by the State.

EXPERIENCE SUMMARY - DENTAL

Based on Claims Incurred 09/01/88 - 08/31/89
and Paid 09/01/88 - 11/30/89 - 22,458 Insureds

Average Monthly Claims Cost

	<u>Employee</u>	<u>Spouse</u>	<u>Child(ren)</u>	<u>Overall Average</u>
Active Groups	\$ 9.79	\$ 9.74	\$5.09	\$ 8.09
COBRA Groups	15.75	8.62	4.58	10.83
Retiree Group	10.48	11.77	6.80	10.43
Total Dental	\$ 9.92	\$ 9.85	\$5.10	\$ 8.23

Based on Claims Incurred 09/01/89 - 08/31/90
and Paid 09/01/89 - 11/30/90 - 23,125

Average Monthly Claims Cost

	<u>Employee</u>	<u>Spouse</u>	<u>Child(ren)</u>	<u>Overall Average</u>
Active Groups	\$ 9.76	\$ 9.95	\$5.23	\$ 8.14
COBRA Groups	10.72	18.98	5.79	10.45
Retiree Group	11.69	11.20	6.35	10.95
Total Dental	\$ 9.90	\$ 10.17	\$5.25	\$ 8.31

SECTION IV. FUNDING OF PLANS

The various plans are funded by a combination of employer and/or active employees and retirees. The funding of the plans are as follows:

- Life Insurance
- \$10,000 core benefit. This benefit is funded entirely from the State contribution.
 - All other Life benefits are funded either by the excess State share contribution or by employee payroll reduction or retiree self-payments.
- Accidental Death and Dismemberment
- Benefits are funded either by the excess State share contribution or by employee payroll reduction or retiree self-payments.
- Medical and Dental Benefits
- The active employee portion of these benefits are funded in total from the State Contribution. Coverage for dependents is funded entirely by employees through payroll reduction or a portion by the excess State share contribution.

Retiree premiums for both Medicare and Non-Medicare eligibles, including dependents, are funded entirely by participating retirees.

Coverage for individuals no longer eligible under the State Plan as Active employees or retirees may continue coverage for up to 36 or 18 months (29 months for disabled employees) depending on the reason for loss of coverage, in accordance with federal law under the Consolidated Omnibus Budget Reconciliation Act (COBRA). This extended coverage is funded entirely by the former employees or eligible dependents.

The State makes a monthly contribution for the State Employee Group Benefit Plan to fund the benefits outlined on the previous page. The contribution history since the inception of the State Employee Group Benefit Plan in fiscal year 1980 through fiscal year 1991 is as follows:

Monthly Costs by Fiscal Year

<u>Fiscal Year</u>	<u>State Contribution</u>	<u>Core Plan</u>	<u>State Share Excess</u>	<u>Core Plan Plus Family Medical Coverage</u>	<u>Employee Out-of-Pocket Expense for Core Plan Plus Family Medical Coverage</u>
1980	\$ 50.00	\$ 45.00	\$5.00	\$78.76	\$28.76
1981	60.00	55.00	5.00	94.40	34.40
1982	70.00	65.00	5.00	112.84	42.84
1983	80.00	77.67	2.33	134.60	54.60
1984	90.00	83.70	6.30	140.70	50.70
1985	100.00	93.70	6.30	150.70	50.70
1986	105.00	96.20	8.80	153.20	48.20
1987	115.00	101.20	13.80	158.20	43.20
1988	115.00	101.20	13.80	158.20	43.20
1989	115.00	101.20	13.80	158.20	43.20
1990	130.00	116.20	13.80	173.20	43.20
1991	150.00	136.30	13.70	203.30	53.30

V. THREE YEAR PROJECTIONS

The three year projections are based on current funding levels. The projections assume no increase in individual or family premiums for 1992 or 1993. The trend factors utilized are based on experience for the State of Montana Employee Group Benefit Plan during the past several years.

Assumptions

Revenue

1. The state share increases by	15	dollars per month in FY90 (over the FY89 amount)
2. The state share increases by	20	dollars per month in FY91 (over the FY90 amount)
3. The state share increases by	0	dollars per month in FY92
4. The state share increases by	0	dollars per month in FY93
5. Interest earnings are based on	8	percent annually
6. Individual premiums are increased by	15	dollars per month in FY90 (above the FY89 rate)
7. Family premiums are increased	15	dollars per month in FY90 (above the FY89 rate)
8. Individual premiums are increased	21	dollars per month in FY91 (above the FY90 rate)
9. Family premiums are increased	31	dollars per month in FY91 (above the FY90 rate)
10. Individual premiums are increased	0	dollars per month in FY92
11. Family premiums are increased	0	dollars per month in FY92
12. Individual premiums are increased	0	dollars per month in FY93
13. Family premiums are increased	0	dollars per month in FY93

Expenses

1. Med. inflation is calculated at	15	percent per year in FY92 & FY93 (15% in FY91 – savings)
2. Dent. inflation is calculated at	7	percent per year
3. Transplant costs increase by	15	percent per year in FY92 & FY93
4. Administrative costs increase by	5	percent per year
5. Screening costs increase by	10	percent per year
7. Cost reduction measures of	12.5	dollars per employee per month are made in FY91

Demographics

1. Active employees increase by	100	per year
2. Early retirees increase by	50	per year
3. Medicare retirees increase by	100	per year
4. COBRA participants increase by	15	per year

REVENUE	<u>N</u>
Active Employees	
State Contribution (M/D/Life)	
Employee Contribution(M/D/Life)	
Early Retirees Contribution	
Medical	
Dental	
Medicare Retirees Contribution	
Medical	
COBRA Contributions	
Medical	
Dental	
Interest Income	
Total Revenue	<u> </u>
EXPENSES	<u> </u>
Ogran Transplant Re-insurance	
Health Screenings	
Life Insurance Premiums	
Medical Claims Costs	
Dental Claims Costs	
Administrative Expenses	
Total Expenses	<u> </u>
Estimated Operating Deficit	<u> </u>
FUND BALANCE	<u> </u>
Beginning Fund Balance	
Less: Estimated Deficit	
Estimated Ending Fund Balance	
Less: Required Reserve	
Fund Balance Excess/(Deficit)	

	ACTUALS			ACTUALS			PROJECTIONS			PROJECTIONS			PROJECTIONS		
	9-1-88 through 8-31-89			9-1-89 through 8-31-90			9-1-90 through 8-31-91			9-1-91 through 8-31-92			9-1-92 through 8-31-93		
REVENUE	Number	\$ per Emp	Total \$	Number	\$ per Emp	Total \$	Number	\$ per Emp	Total \$	Number	\$ per Emp	Total \$	Number	\$ per Emp	Total \$
Active Employees															
State Contribution (M/D/Life)	10,148	\$115.00	\$14,004,240	10,261	\$130.00	\$16,007,160	10,361	\$150.00	\$18,649,800	10,461	\$150.00	\$18,829,800	10,561	\$150.00	\$19,009,800
Employee Contribution(M/D/Life)	10,148	\$28.09	\$3,420,089	10,261	\$29.41	\$3,621,152	10,361	\$34.95	\$4,345,403	10,461	\$34.95	\$4,387,343	10,561	\$34.95	\$4,429,283
Early Retirees Contribution															
Medical	643	\$112.29	\$866,462	701	\$128.05	\$1,077,196	751	\$155.05	\$1,397,311	801	\$155.05	\$1,490,341	851	\$155.05	\$1,583,371
Dental	609	\$17.55	\$128,238	980	\$17.65	\$207,528	1,030	\$17.65	\$218,116	1,080	\$17.65	\$228,744	1,130	\$17.65	\$239,334
Medicare Retirees Contribution															
Medical	1,149	\$71.22	\$981,968	1,246	\$85.84	\$1,283,425	1,346	\$112.04	\$1,809,670	1,446	\$112.04	\$1,944,118	1,546	\$112.04	\$2,078,566
COBRA Contributions															
Medical	180	\$107.66	\$232,545	202	\$123.51	\$299,400	217	\$150.51	\$391,928	232	\$150.51	\$419,020	247	\$150.51	\$446,112
Dental	146	\$19.36	\$33,916	166	\$19.51	\$38,869	181	\$19.51	\$42,381	196	\$19.51	\$45,888	211	\$19.51	\$49,399
Interest Income		\$10.58	\$1,539,051	12,410	\$6.84	\$1,019,200	12,675	\$5.81	\$884,335	12,940	\$4.29	\$665,422	13,205	\$0.53	\$84,763
Total Revenue	12,120	\$145.81	\$21,206,509	12,410	\$158.16	\$23,553,930	12,675	\$182.37	\$27,738,944	12,940	\$180.39	\$28,010,675	13,205	\$176.20	\$27,920,628
EXPENSES															
Ogran Transplant Re-insurance		\$0.67	\$97,445		\$2.40	\$357,408		\$0.67	\$101,907		\$0.77	\$119,566		\$0.89	\$141,029
Health Screenings		\$0.34	\$50,000		\$0.37	\$55,100		\$0.40	\$60,610		\$0.41	\$63,000		\$0.42	\$66,000
Life Insurance Premiums		\$9.84	\$1,430,724		\$9.84	\$1,514,047		\$9.07	\$1,379,160		\$9.07	\$1,408,390		\$9.07	\$1,437,232
Medical Claims Costs		\$134.10	\$19,502,863		\$147.15	\$21,912,984		\$154.79	\$23,543,559		\$178.01	\$27,641,393		\$204.71	\$32,438,347
Dental Claims Costs		\$15.14	\$2,201,591		\$16.87	\$2,513,008		\$18.06	\$2,746,926		\$19.32	\$3,000,010		\$20.67	\$3,275,368
Administrative Expenses		\$4.98	\$725,000		\$5.27	\$784,810		\$5.42	\$824,051		\$5.69	\$883,543		\$5.97	\$946,006
Total Expenses	12,120	\$165.06	\$24,007,623	12,410	\$181.90	\$27,137,357	12,675	\$188.41	\$28,656,213	12,940	\$213.27	\$33,115,902	13,205	\$241.73	\$38,303,982
Estimated Operating Deficit		(\$19.26)	(\$2,801,114)		(\$24.06)	(\$3,583,427)		(\$6.03)	(\$917,269)		(\$32.88)	(\$5,105,227)		(\$65.53)	(\$10,383,354)
FUND BALANCE															
Beginning Fund Balance			\$16,964,460			\$14,163,346			\$10,579,919			\$9,662,650			\$4,557,423
Less: Estimated Deficit			(\$2,801,114)			(\$3,583,427)			(\$917,269)			(\$5,105,227)			(\$10,383,354)
Estimated Ending Fund Balance			\$14,163,346			\$10,579,919			\$9,662,650			\$4,557,423			\$5,825,931)
Less: Required Reserve			\$8,862,652			\$7,531,348			\$8,106,233			\$9,447,766			\$11,011,729
Fund Balance Excess/(Deficit)		\$36.45	\$5,300,694		\$20.47	\$3,048,571		\$10.23	\$1,556,417		(\$31.49)	(\$4,890,343)		(\$106.26)	(\$16,837,660)

